

JEL

CANNON MINES LIMITED

SUITE 204, THE WESTLAW BUILDING,
1920 WESTON ROAD,
WESTON, ONTARIO
AREA CODE 416 - 247-6647

INTERIM PROGRESS REPORT**To the Shareholders:**

Your Company is in good financial standing with sufficient funds available to proceed with the recommended program of underground development at the property north of Iron Bridge, Ontario.

After making several studies, trackless mining was found to be the least expensive of the presently known methods both for the development and mining of the ore. Advertising for tenders to drive an 850 foot incline using this method has been posted in the Northern Miner and the Financial Post.

The Company retained General Engineering Company Limited to do a feasibility study of the mill. In their report of October 11th, 1968 it states that the rehabilitation of the concentrator would take about three weeks.

A meeting of the directors has been held since the last annual meeting, electing Mr. Edward B. Ashton, Sr. as President of your Company.

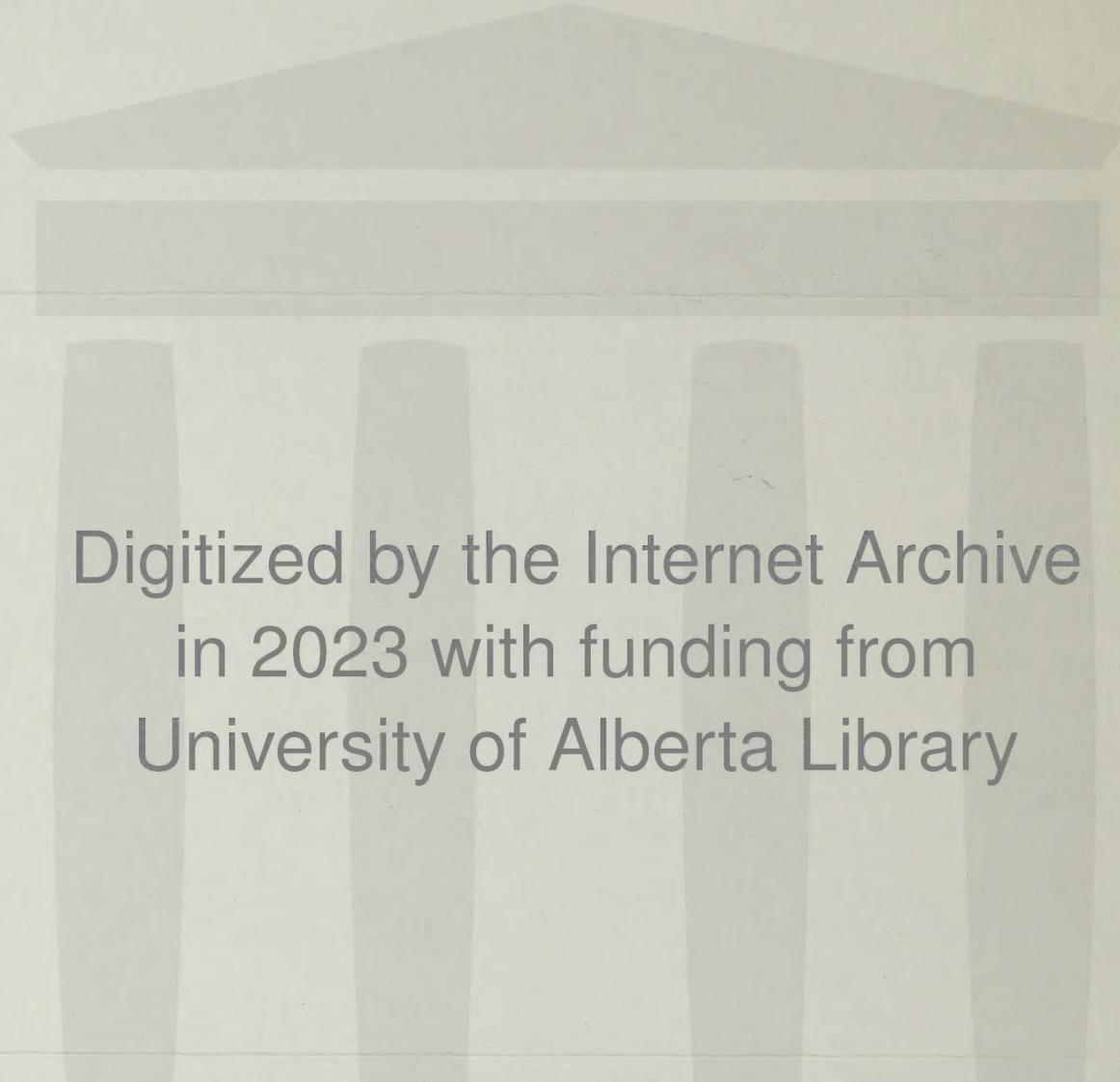
Mr. William Zuckerkandel has been employed as Resident Geologist for Cannon Mines Limited.

As your Company progresses, the Directors will keep you informed.

On behalf of the Board of Directors,

Edward B. Ashton, Sr.,
President.

March 10th, 1969.



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DAVID W. SMITH

✓ Suite 600, 250 University Ave.,
TORONTO 1, ONTARIO

February 14th, 1966.

To: THE SHAREHOLDERS OF NIPIRON MINES LIMITED:

Enclosed is a notice of a special general meeting of shareholders of your Company convened for February 25th, 1966. On January 25th last, pursuant to Section 308 of The Ontario Corporations Act, I caused notice to be served on the directors of NIPIRON MINES LIMITED requiring them to convene a meeting within twenty-one (21) days for the transaction of the business set out in the accompanying notice of meeting. This the directors have failed to do, so I am now proceeding myself to convene such meeting.

Perhaps I might review the recent sequence of events in the affairs of the Company since the meeting of shareholders held on November 1st, 1965, at which time a resolution of the "Jowsey" Board (as opposed to the "Smith" Board elected at the meeting of October 18th, 1965), to the effect that the Company be wound up and the assets distributed, was defeated by a majority vote of the shareholders. Subsequently, early in January of 1966, the Jowsey Board proceeded to declare a dividend of 20¢ per share to shareholders of record January 4th, 1966, payable January 7th, 1966. Payment of this dividend was enjoined by Mr. Justice Brooke of The Supreme Court of Ontario on January 6th, 1966, upon my application, on the grounds amongst others that this appeared to be another way of accomplishing the previously attempted liquidation of the assets of the Company.

At the time of the declaration of the aforesaid dividend, it was my understanding that respective counsel for the competing boards of directors were attempting to arrange an annual meeting of shareholders of the Company on or before February 15th, 1966. It was also my understanding that Robert A. White, another shareholder of the Company, had agreed to adjourn the meeting he had convened under Section 308 of The Corporations Act for January 10th, 1966, if such annual meeting was held, and the issue as to which board was the board of directors resolved.

On Friday, January 7th, after the close of business, in fact at 5:28 p.m., my counsel was advised by an employee of Crown Trust Company, the Company's Transfer Agent and Registrar, that on that day they had on the instructions of the Jowsey Board issued and delivered to Renzy Mines Limited 300,000 shares in the capital stock of the Company. In view of the impending shareholders' meeting to be held on the following Monday, and the knowledge that the Jowsey Board had not convened the meeting requisitioned by Mr. White, notice of which had specifically provided inter alia among items of business to be transacted the following:

"To instruct the directors that pending the next annual meeting of the Company and the election of directors thereat, unless specifically authorized by the shareholders at a meeting called for such purpose, to refrain from:

* * *

(3) issuing or authorizing the issuance of any treasury shares for any reason whatsoever;" I was driven to one obvious conclusion, and immediately took steps to prevent the voting of the shares issued to Renzy Mines Limited, and to seek legal redress in order to preserve the assets of the Company.

On Monday, January 10th, just prior to the meeting of shareholders at 11 a.m. which Mr. White had convened and proceeded to hold, an annual meeting not having been arranged, Mr. Justice Brooke of The Supreme Court of Ontario granted an injunction restraining the voting of the 300,000 shares by Renzy Mines Limited, and restrained the said Renzy Mines Limited from disposing of or otherwise dealing in the shares.

At the same time, I had issued a Writ in the Supreme Court of Ontario against Renzy Mines Limited and the individuals comprising the Jowsey Board for an order setting aside the issue of the 300,000 shares to Renzy, for damages against the individual defendants for causing the issue and for an injunction restraining the voting of the shares so issued or any disposition thereof.

I am advised that a proxy for the voting of the 300,000 shares appointed Mr. Geisler, the President of Renzy Mines Limited, the Company's proxy, or him failing, Frederick H. Jowsey, the Company's proxy, to vote on behalf of the Company at the meeting to be held on January 10th, 1966. Mr. Geisler was not present at the meeting.

At the meeting of January 10th, 1966, which meeting was attended by the Jowsey Board, and chaired by Mr. Frederick H. Jowsey, it was explained to the meeting that the shares were issued to Renzy Mines Limited in satisfaction of a claim by Renzy in the amount of some \$40,000.00 to \$50,000.00, being Nipiron's liability on a standby commitment in connection with a rights offering made by Renzy. According to information from the Quebec Securities Commission, there is on file an undertaking by Nipiron to subscribe for and purchase one-third ($\frac{1}{3}$ rd) of the shares not taken up by the shareholders of Renzy up to a maximum of \$50,000.00. Now the object of a rights offering by a company is the raising of funds for a specific purpose from its shareholders and securities legislation exempts issues of shares issuing as a result of exercise of rights from registration requirements. The object is, as I say, to raise funds, not shares of a subscribing corporate shareholder, which view is, I am advised, shared by the Quebec Securities Commission. In lieu of money, the Jowsey Board saw fit to issue to Renzy 300,000 shares of the capital stock of the Company at about 15¢ per share.

The explanation came to my attention by way of an affidavit of Frederick Hurdman Jowsey sworn February 3rd, 1966 with respect to the action commenced by me against Renzy Mines Limited et al. From the affidavit it appears that the amount owing to Renzy under the standby commitment was \$45,165.00 which the Company was advised by its counsel should not be paid in cash in view of the injunction of Mr. Justice Brooke granted on January 6th, 1966. This injunction enjoins the Company from paying the aforementioned dividend or from liquidating any company assets. This injunction does *not* restrain the company from using funds realized from the liquidation of assets prior to the date of the injunction to meet any cash commitment. Apparently certain assets were liquidated prior to the date of the injunction in order to provide funds for the dividend. In any event, an exhibit to the affidavit of Mr. Jowsey, being a copy of a financial summary prepared by the Company's auditors indicates that as at December 31st, 1965 the Company had \$107,321.00 in cash.

The affidavit goes on to state that by agreement dated January 7th, 1966, Fred H. Jowsey agreed to purchase from Renzy Mines Limited the 300,000 shares of Nipiron allotted and issued that same day for the sum of \$45,165.00 aforesaid, and on the next day, January 8th, 1966, assigned such right to Denison Mines Limited. It appears Mr. Jowsey is a director of Denison Mines Limited.

I now quote the resolution of the Board of Directors of the Company passed on January 7th, 1966, in its interesting entirety:

"UPON MOTION duly made, seconded and carried unanimously, it was **RESOLVED**:

THAT 300,000 shares in the capital stock of the Company be and the same are hereby allotted to Renzy Mines Limited as fully paid and non-assessable shares in discharge of the commitment of this Company under the agreement of December 1st, 1965 and the further rights under this agreement.

The Directors of the Company acting in good faith and in the best interests of the Company and in view of the fact that the allottee may not sell these shares to the public without having them qualified by the Ontario Securities Commission for such sale hereby determine that such consideration is in all circumstances of the transaction the fair equivalent of a consideration payable in cash of \$45,165.00 and that the said shares are allotted and issued at a discount of 84.945%."

At the very time that the company was allotting the 300,000 shares to Renzy, Renzy already had a purchaser for them, namely Frederick H. Jowsey, who it appears by the very next day had another willing purchaser. The resolution justifies the 15¢ issue price because we are to believe Renzy would have a difficult time selling same. With the following words in the allotting resolution still in mind, and I quote: "The Directors of the Company acting in good faith and in the best interests of the Company," I will now quote from a letter dated September 30th, 1965, written on my instructions by my solicitors to the Company prior to the meeting of shareholders held on October 18th, 1965:

"Our client has heard reports that the Company is seeking financing for certain prospecting ventures through the issue of further treasury shares. With a meeting of shareholders pending, long and earnest consideration should be given to any proposed issue of shares. Indeed, the directors may be well advised to defer action until after the shareholders' meeting. Issue of shares at a price below the book value of presently outstanding shares would amount to an unwarranted dilution of the present shareholders' equity.

"Our client has a substantial shareholding in the Company, and if treasury shares are to be sold, he is concerned that these be issued at the best possible price.

"Our client is prepared to meet, if not better, any price offered to the Company by any other bona fide underwriter and will expect the Company and the directors to give him the opportunity of so doing."

Notwithstanding my letter of September 30th, 1965, and the provision previously quoted from the notice convening the meeting of January 10th, 1966, the Jowsey Board saw fit to issue 300,000 shares at about 15¢ per share. The market price throughout the period has always been in excess of 45¢ per share. Had these 300,000 shares been voted at the meeting of January 10th, 1966, they would have been voted by Frederick H. Jowsey. In the circumstances, I am compelled to think that the issue of the shares was in someone else's best interest and certainly at 15¢ per share not in the best interests of the Company. Also, the quickening of the Jowsey Board's interest in Renzy appears to me to be conveniently sudden, when at the time the rights offering standby commitment agreement was signed, according to Mr. Jowsey, on December 1st, 1965, Nipiron held 250 shares of Renzy, its original 1,000 shares having been split four for one. The principal asset of Renzy as I understand it is a low grade ore body which unfortunately is under a lake. The prospect of bringing it into production has often been entertained before and abandoned. Current metal prices being on the high side interest may have revived in the prospect in some quarters; however, if metal prices decline in my opinion the prospect of profitable production is dismal.

Although voting control at the meeting of January 10th, 1966 rested with myself, Mr. White and our various supporters, and the shareholders duly instructed the board of directors on the various matters contained in the notice convening same, on one matter upon which a vote was taken, 52.8% of the vote was not sufficient under the Charter and By-laws of the Company to remove all those of either boards who purported to be directors of the Company, and accordingly, a new slate of directors could not be elected in their place.

No shareholder opinion was possible with respect to the following item of business:

"(f) to instruct the directors that pending the next annual meeting of the Company and the election of directors thereat, unless specifically authorized by the shareholders at a meeting called for such purpose, to refrain from:

- (1) disposing of any assets of the Company for cash or any other consideration particularly the holdings of the Company in Denison Mines Ltd., Aerofall Mills Ltd. and R. J. Jowsey Mining Company Limited;
- (2) acquiring any assets for or on behalf of the Company either for cash or shares or other consideration;"

because upon the advice of counsel for the Jowsey Board, the Chairman refused to entertain the motion, on the basis of counsel's stated objection, and I quote:

"The duty of the directors is to the Company directly as an entity, not to the shareholders."

I would submit that this baleful legalism is most inappropriate in the circumstances, and in to-day's climate of disclosure, where emphasis in corporate proceedings is on complete disclosure as to any securities transactions or property acquisitions, I submit that it is incumbent upon the directors to advise the shareholders of any such action promptly and completely, and also to accept the direction of the shareholders with regard to such transactions and acquisitions.

With respect to the item of business in the notice requiring the directors of the Company to call an annual meeting, a majority of shareholders, in fact 920,851 votes out of a total of 1,716,454 votes, voted to instruct the directors to convene an annual meeting of the shareholders by January 15th, 1966, to be held by January 31st, 1966. Such a meeting has not been convened.

I am advised that the financial statement of the Company was delivered by the auditors to the Jowsey Board and its counsel on Tuesday the 25th day of January, for approval prior to printing. To date I have received no notice of an annual meeting. Not having been successful in my original application to The Supreme Court of Ontario to restrain the Jowsey Board from acting as the board of directors, I had no access to the records of the Company or the financial information required in order to permit an audit; accordingly, I was unable to call an annual meeting.

Notwithstanding the indication by counsel to the Jowsey Board that a meeting could probably be called easily by February 15th, 1966, and notwithstanding the instructions by the shareholders to convene same prior to January 31st, 1966, no indication has been forthcoming of a willingness to hold such a meeting.

I would respectfully request your support by returning a signed proxy, yet again. Being unable to resolve the matter of which is the true board of directors by the usual means, i.e. an annual meeting of shareholders, and those within whose power it is to do so being unwilling, I have no other course open to me to protect my investment in this Company, and if you share my views, your investment also.

Sincerely,

DAVID W. SMITH.